The Monetary Question. By G. M. Boissevain. Translated by G. Townsend Warner. London, Macmillan & Co., 1891.—8vo, 152 pp.

Le Problème Monétaire et sa Solution. Par G. M. Boissevain, Mémoire qui a remporté le premier prix au concours bimetallique. Paris, Guillaumin et C^{ie}, 1891.—8vo, 138 pp.

La Monnaie et le Bimetallisme International. Par Emile de Laveleye. Paris, Félix Alcan, 1891.—8vo, xviii, 347 pp.

The Industrial Competition of Asia. An Inquiry into the Influence of Currency on the Commerce of the Empire in the East. By Clermont J. Daniell. London, Kegan Paul, Trench, Trubner & Co., 1889.—8vo, 387 pp.

The object of M. Boissevain's prize-essay, which comes to us in both French and English, is to paint in strong colors the advantages of bimetallism and to answer all objections to the system. On the question of theory he says: "Bimetallists in no way claim that law creates the value of the money metals, and can in consequence establish a fixed ratio between them" (page 9); and he says, further, that the "ratio of value . . . is simply the result of the forces of supply and demand." Then he goes on to argue that "the use of the precious metals *for money* has so preponderating an influence on the demand for them in general, that practically it is this demand which settles their ratio of value to other commodities." Now this may all be true, and yet the theory of bimetallism may still be imperfect. His argument—especially as shown by the quotation (page 11) from M. Mees—proceeds on the assumption that, so far as its use as money goes, silver has exactly the same utility as gold. Just here is the weakness of the bimetallic theory. Nothing can be clearer than that silver has not had, and does not have, the *same* "utility" as gold for all the purposes of money. The two metals differ in weight per unit of value; their production has varied independently of each other; and their sources of supply are in general not the same. In settlement of large transactions silver is by nature admittedly inferior to gold; and in fact silver has twice in recent years (once in 1876 and again in 1890), within the short period of a few months, varied in value *relatively to commodities in general* about twenty-five per cent. In the face of these well-known facts it is obviously impossible to reason about silver as if it had exactly the same qualities as gold, and would be affected in exactly the same way by monetary legislation. Gold and silver are two distinct commodities, and no amount of talk can change that fact.

In many other points, also, the logic of the essay is defective. Of

these it will be necessary to give only a few instances, beginning with the author's explanation of the fall in the value of silver since 1873, which, as is usual, he ascribes to the action of Germany. But if the forces of supply and demand so effectually govern the value of silver, as M. Boissevain properly maintains, then why ignore the influence of the abnormal supply of gold since 1850? This production of nearly $5,000,000,000 in forty years, or more than one and one-half times the entire production of the 357 years preceding 1850, is a tremendous fact, having corresponding consequences. Since this supply of gold made it possible for several countries to supplant silver with gold, it is more than sufficient to account for the decline in the value of silver. That decline is indeed the result of a change in the forces of supply and demand, but one whose origin is outside the field of legislation. There is no basis in either rhyme or reason for the author's remark about the "smaller supply of new gold" (page 25).

Again, he admits the fundamental difficulty with the compensatory theory when he says: "Rich countries would never be willing to give up the use of gold altogether" (page 26). But if so, how can the compensatory theory work? The theory demands a change from the dearer to the cheaper metal, so that the increased demand shall raise the value of the cheaper metal; this can be effected only by using the cheaper metal as the standard of prices. Yet, if rich countries — supposedly England and Germany — will never submit to this process, then the purely visionary and abstract character of the argument is at once apparent. Another error exists in the reasoning (page 50) that Gresham's law would not work under a system of international bimetallism. Having strongly urged that bimetallism will furnish a more stable standard of value through the operation of the compensatory theory, M. Boissevain overlooks the fact that the compensatory theory cannot operate except by the action of Gresham's law. The argument is, to say the least, illogical. Again, on the point that the operation of the compensatory theory would work to lower the standard of value ultimately, the author completely "dodges the issue" (page 36 *et seq.*); nor does he answer the question whether France from 1803 to 1850 was able to keep both gold and silver in concurrent circulation. His statements, also, as to the supply of gold (page 83) and the contraction of money are incorrect. In his treatment of wages and prices (page 91) he falls into grave economic errors; he ought to know that low prices in themselves are not, as he states, the necessary causes of poverty. On the whole the essay must be regarded as a weak presentation of the arguments for bimetallism.

A much better summary of these arguments is to be found in M. Laveleye's last volume. Although an *ex parte* statement, it is to be rated far above the work of M. Boissevain, and it presents a very considerable

mass of materials. The first five chapters are devoted to the subject of money in general; the next nine, to the abstract theory of bimetallism; the following ten, to matters of fact; the succeeding twenty-five, to the arguments in favor of bimetallism; and the last fifteen treat of the objections urged against bimetallism. There are a number of charts, including one showing the movement of prices and another the production of the precious metals. In the former is to be seen — what all students must have noticed before — the general correspondence between the movement of the Hamburg prices of Dr. Soetbeer and that of the English prices of Mr. Sourbeck. In the latter chart, the prominence of the great production of gold is so insistent that it is difficult not to see in it the cause of the fall in the value of silver.

On the question, avoided by M. Boissevain, whether France really had both gold and silver in circulation after 1803, M. Laveleye says: "Sans doute en France l'agent metallique de la circulation a été principalement l'argent de 1803 à 1853, et principalement l'or de 1850 à 1870" (page 174). In this connection, however, it should be said that the author is not justified in designating the law of 1803 as the "loi bimetallique de l'an XI." How can a law be bimetallic which explicitly decrees (under "general dispositions"): "Five grammes of silver, nine-tenths fine, *constitute the monetary unit*, which retains the name of franc"? Gold, not being made a legal unit, was simply permitted to be coined under the usual regulations as to weight, tolerance, *etc.* Again, it is impossible to follow M. Laveleye's reasoning based on the necessary connection between the amount of coinage at the mint and the amount of the metal in circulation.

Against the theory of bimetallism Mr. Daniell presents an elaborate argument, which is, however, only introductory to the essential purpose of his book, to advocate a gold standard for India. Of course, this proposal aims mainly to solve the Indian financial problem. The essential difficulties of Indian finance are not far to seek. Their revenues have been, and are, paid in silver, while their obligations are payable in gold; and the fall in the value of silver diminishes income as compared with outgo. More silver rupees than before are needed to meet expenses, and so more taxation becomes necessary. Were a gold currency introduced into India, in Mr. Daniell's opinion the same money units would be received for taxes without increasing the burdens on the people. Does this not assume that prices in India would remain exactly the same as now, even after a more valuable gold unit supplanted a cheaper silver unit? Would it not amount to the same thing whether an increased number of silver rupees is taken in taxes, or such a quantity of gold as would equal in value that increased number of rupees? If it is an increased burden on the people to demand more

silver, why is it not equally an increased burden to demand a more valuable money in the form of gold? The taxpayers must pay more in commodities, certainly, for the dearer metal before they could get it to pay to the state. The scheme in short does not seem to be very practicable.

The volume contains many interesting facts, of which the case of the copper coins in India is worth quoting:

> There exists in British territories in India a token currency of copper issued by the state which, according to the variations of the value of copper metal in the market, is rated at a more or less arbitrary valuation in the rupee currency. About ten or fifteen years ago, when copper was worth £90 a ton, token copper money to the nominal value of 100 rs. would be worth at the market 37 rs. The same quantity of coin, allowing for the fall in the gold value both of copper and rupees, is now worth perhaps 27 or 28 rs. The government copper currency is therefore driven almost entirely out of circulation, and the people use instead a currency of coins made of rough lumps of copper, some square, some round, rudely fashioned and stamped with a few characters, which the mints of some of the native states or perhaps private speculators supply. [Page 191.]

J. LAURENCE LAUGHLIN.

The Principles of State Interference. By DAVID G. RITCHIE, M.A. London, Swan Sonnenschein & Co., 1891. — vi, 172 pp.

In this recension of four essays previously published in periodicals, Mr. Ritchie makes another advance in the course which will ultimately, it is to be hoped, lead to a constructive philosophy of the state. His work thus far is mainly destructive. He appreciates the fact that since Locke, or perhaps since Hobbes, English thought has presented no systematic theory of politics. A great mass of disconnected ideas, of every conceivable degree of value, has covered the ground; and this mass must be cleared away before a well-proportioned structure can be erected. In these later days Mr. Herbert Spencer has undertaken to extend his imposing universal philosophy over the field of politics. He used for the new wing, however, only the old lumber of *laissez faire*, connecting it with the main structure by analogy and metaphor. Mr. Ritchie now shows that the lumber is rotten and the connection unreal.

The first two essays in the work are devoted to Mr. Spencer. The author finds little difficulty in revealing the weak points of the philosopher's system. The conception of society as an organism lends itself admirably to the biological line of thought. But the corollary of this conception — that individuals, as parts of the organism, live only in and through it — comes violently in contact with Mr. Spencer's notions of individualism and *laissez faire*. The philosopher's futile efforts to escape the dilemma,